



Balance of Payments - February 2013

Economic Research Division



Current account deficit was realized as 5.1 billion USD in February.

Current account deficit expanded by 20% compared to the same month of previous year and realized as 5.1 billion USD in February, close to the expectations. During the first two months of the year, current account deficit increased by 9.6% compared to the same period of the previous year and reached 10.9 billion USD.

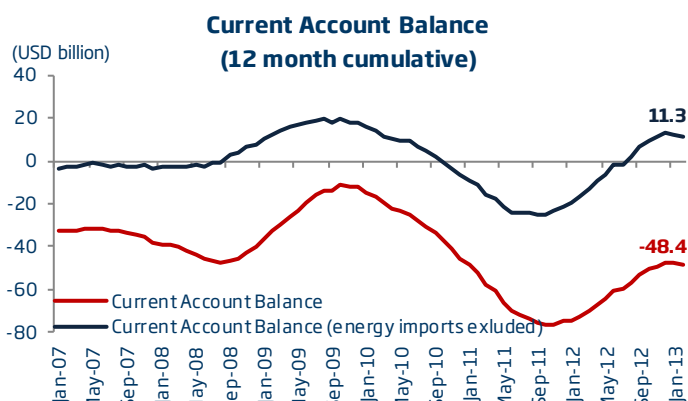
Due to the revisions in balance of payments figures, 2012 year-end level of the current account deficit revised to 47.5 billion USD from 46.9 billion USD. In the first two months of 2013, on the other hand, 12-month cumulative current account deficit, which has been declining since October 2011, started to rise again. This increase confirms the gradual recovery in domestic demand in the first quarter.

Foreign direct investments...

Analysis of the financing side of current account deficit revealed that the non-residents' foreign direct investments towards Turkey were still weak. In February, foreign direct investment inflows towards Turkey declined by 20% compared to the same month of previous year and was realized as 627 million USD. In the first two months of the year, FDI inflows declined by 24% compared to the same period of previous year and amounted 1.3 billion USD. On the other hand, residents' direct investments abroad continued its upward trend. Residents' investments almost doubled compared to same period of the previous year and amounted 515 million USD in the first two months of the year. Thus, the decline in net foreign direct investments has become more evident. In fact, net foreign direct investments declined to 797 million USD in the first two months of the year from 1.5 billion USD in the same period of the last year.

Significant increase in portfolio investments...

Portfolio investments, which followed a rapid upward trend in the second half of 2012, increased again in February after displaying a weak course in January. Portfolio investments,



which were 812 million USD in February 2012, reached 3.1 billion USD in February 2013. During this period, while equity securities recorded capital outflows worth of 353 million USD, 3.4 billion USD worth of capital inflows were registered under debt securities. Approximately 1.5 billion USD of foreign capital inflows registered via debt securities stemmed from the banks' bond issues in international capital markets. Thus, banks' bond issues in international capital markets reached 2 billion USD in the first two months of the year while 12-month cumulative amount increased to 10.1 billion USD.

Other investments continued to increase.

In line with the CBRT's reserve option mechanism framework, banking sector decreased its foreign exchange denominated currency and deposit assets that were held abroad by 2.8 billion USD in the first two months of the year. These assets decreased by 2.6 billion USD in January and 224 million USD in February.

During January-February period, banks raised a total of 3.5 billion USD short term loans from abroad (1.4 billion USD in January, 2.1 billion USD in February). In the long term, on the other hand, banks were net credit payer in both January and February. Moreover, non-banking sector raised 4.3 billion USD long term loans from abroad while repaying 3.8 billion

Breakdown of Net Capital Inflows Towards Turkey

			(12 month cumulative, million USD)	
	December 2012	February 2013	Breakdown of Capital Inflows (%)	
			December 2012	February 2013
Current Account Balance	-47,476	-48,432	-	-
Total Net Foreign Capital Inflows	68,290	75,380	100.0	100.0
-Direct Investments	8,346	7,691	12.2	10.2
-Portfolio Investments	40,780	43,482	59.7	57.7
-Other Investments	17,285	27,251	25.3	36.2
-Net Errors and Omissions	1,923	-3,006	2.8	-4.0
-Other	-44	-38	-0.1	-0.1
Reserves⁽¹⁾	-20,814	-26,948	-	-

Note: The numbers may not add up to total due to rounding.

(1) (-) sign indicates an increase in reserves while (+) sign indicates a decrease.

Source: CBRT

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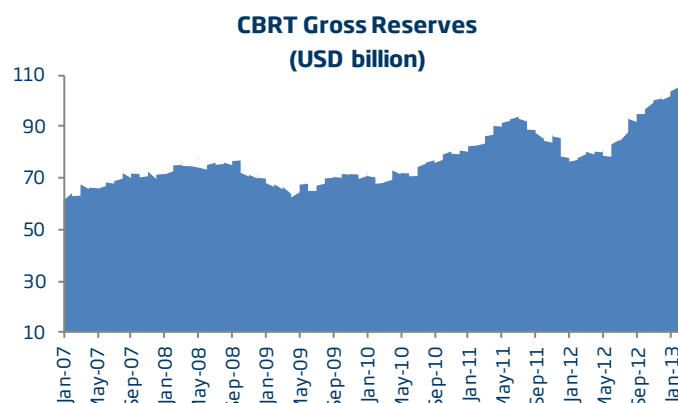
USD. Regarding the 12-month cumulative figures, long term debt roll-over ratio of the banking sector was 86% and that of non-banking sectors was 118%.

Reserves increased by 874 million USD in February.

Reserve assets lost momentum in February and increased by 874 million USD, after a steep rise in January. Thus, CBRT increased its reserves by 4.6 billion USD in the first two months of the year and by 26.9 billion USD in the last 12 months.

Upward trend in the current account deficit is expected to continue in the coming period.

Current account followed an upward trend in the first two months of the year in line with the recovery in domestic demand. This trend is expected to continue in the forthcoming period. However, in its monetary policy meeting held in March, CBRT pointed out a slowdown in capital inflows which might in turn limit the upward trend in current account deficit.



Current Account Balance	(USD million)				
	February 2013	January-February 2012 2013		% Change	12 Month Cumulative
Current Account Balance	-5,126	-9,987	-10,943	9.6	-48,432
Foreign Trade Balance	-5,573	-10,668	-11,512	7.9	-66,556
Services Balance	698	1,390	1,327	-4.5	23,482
Tourism Revenues (net)	727	1,364	1,522	11.6	21,717
Income Balance	-449	-1,002	-1,030	2.8	-6,704
Current Transfers	198	293	272	-7.2	1,346
Capital and Financial Accounts	6,773	6,482	12,367	90.8	51,438
Direct Investments (net)	311	1,452	797	-45.1	7,691
Portfolio Investments (net)	3,070	2,161	4,863	125.0	43,482
Assets	-22	1,116	449	-59.8	1,981
Liabilities	3,092	1,045	4,414	322.4	41,501
Equity Securities	-353	822	-118	-	5,334
Debt Securities	3,445	223	4,532	1,932.3	36,167
Other Investments (net)	4,266	1,329	11,295	749.9	27,251
Assets	1,160	-1,207	3,350	-	3,432
Currency and Deposits	839	-2,213	2,786	-	5,659
Liabilities	3,106	2,536	7,945	213.3	23,819
Trade Credits	987	-725	2,380	-	4,112
Loans	2,041	979	3,096	216.2	11,252
Banking Sector	2,034	1,024	2,614	155.3	6,281
Non-bank Sectors	477	284	1,069	276.4	7,302
Deposits	87	2,280	2,470	8.3	7,973
Foreign Banks	-97	1,182	2,148	81.7	8,079
Foreign Exchange	2,437	828	3,496	322.2	7,897
Turkish Lira	-2,534	354	-1,348	-	182
Non-residents	255	1,256	484	-61.5	2,142
Reserve Assets (net)	-874	1,557	-4,577	-	-26,948
Net Errors and Omissions	-1,647	3,505	-1,424	-	-3,006

Source: CBRT

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